

UPPER MEDWAY INTERNAL DRAINAGE BOARD



**MINUTES OF A MEETING of the Finance Committee held at
Upper North Hall, Bullen Court
on Tuesday 18 October 2022 at 10am.**

Members of the Committee Present

Mr D Goff - Chairman
Mr S Highwood
Cllr H Rogers
Mr C Wheeler

In attendance

Cllr D King – UMIDB Member
O Pantrey - Clerk
L Carey – Finance Officer

1. APOLOGIES FOR ABSENCE

No apologies were received.

2. ITEMS OF INTEREST DECLARATION

It was requested that the Board exempt Mr Wheeler from making a declaration regarding to Bullen Court every meeting unless there were financial alterations being presented regarding the situation at Bullen Business Centre.

All **AGREED** this was a more suitable way of managing declarations relating to the office and would be put to the Board.

Action: Clerk to make recommendation to Board to exempt continual declaration of interest

3. MINUTES

RECEIVED a copy of the Minutes of Finance Committee on 21 June 2022.

It was **AGREED** by all Members present that the Minutes of 21 June 2022 were correctly recorded and should be considered as approved.

It was asked if there was still a need to sign the minutes.

The Clerk said that as long as the committee agreed the minutes at the meeting they were approved and would be submitted to the Board as such.

4. ACTION LIST & MATTERS ARISING FROM PREVIOUS MINUTES

RECEIVED the Action List of the meeting held on 21 June 2022.

The Clerk said that he had several items he wanted to update the Board on from the action list.

He confirmed that the Finance Officer had looked into the tax class of the wheeled excavator and that it was confirmed as exempt.

He said that the Members expenses policy will go straight into the Board in November for approval after the auditor said it wasn't robust enough. He said that they would assess other Board's policies and use those as a framework.

He said that the joint funding of the KCC project at Capel is still awaiting further discussion with KCC as they are hoping to complete and then request a donation from the Board towards the cost so as to reduce paperwork.

It was asked what the project entailed.

The Clerk said that it was an NFM project at Alders Road, just south of Capel to offer minor alleviation to properties in the area. He said it was separate to the major development proposals for the site which were part of the local plan.

He continued by saying he has spoken to KCC Flood and Water about planning, and we are now being sent a weekly planning list as are the Stour IDB.

The Clerk was pleased to say that the Southern Farmers account has been re-established and we are just waiting on the confirmation of our account number. This would remove the need for credit cards being held by officers outside of the Clerk.

Finally, he said that regarding the cost of taking the trucks home, insurance remained the same. He confirmed fuel increased around 50% through usage and 38% through increased pricing. In real terms, he said the difference between a pay increase at inflation 10% or a 5.5% increase plus truck costs saves £5700 (estimated).

It was requested that the Clerk made a further comment about the Church Lane development, to which he said that he would ensure it went to the WLMA for further consideration.

It was asked if P Harper and S Highwood were now signatories, to which S Highwood said he would go in and resolve that after the meeting.

The Finance Officer confirmed P Harper had not been added either.

5. BUDGET UPDATE

RECEIVED To Date Budget Report

As a new item to the agenda the Clerk offered a breakdown of the paper presented.

The Clerk said a budget report was now being displayed to both the committee and the Board as part of a procedural increase in budget understanding and monitoring, as suggested by the internal

auditor. He explained that this was data from Sage that was then put into a more appropriate form for committee reading.

He continued by saying that the exercise has several advantages, including easy recognition of missed or underfunded elements, and that it helped create a more accurate budget forecast for the next year as we continue to drill down into the company financing to remove fatty areas of the budget.

He reported that the main area of concern this year relates to the provision of insurance which are seen in the professional fees line (7600). We simply didn't allow for such a dramatic increase (50% and more in some cases) and as such he was trying to reallocate money into the nominal code this year in order maintain a balance of spending. He confirmed this was largely coming from over budgeted items in the subscriptions section and excessive heavy plant insurance budgeting.

He explained that the unbudgeted items that were not from reserves were also being given their own budget next year to reduce the amount of unexpected spending, with car leasing being an obvious area of change. He said that the leasing of his vehicle saves buying a truck and provisioning year on year for its replacement, which gives the Board better flexibility about the provision, and reduces liability.

He conceded that they were moving money around internally with this report, but it is proving to be a really useful tool regarding financial control and forecasting as said before.

He finished by saying that the report will ebb and flow this year as we determine the best way to present it to this committee and the Board, but the general additional transparency is welcome in his mind.

The Chairman said this was very clear and offered increased transparency to members. He said this allowed for better scrutiny and was welcomed, to which all agreed.

The Clerk said that these reports were produced monthly now and formed the basis of the internal finance meeting he held with the Finance Officer. He offered that if members wanted to see a more regular breakdown, they could have it.

The Chairman asked for a monthly report to be sent to members going forward.

Action: Finance Officer to send budget report to members monthly.

6. STRATEGY AND FUTURES DISCUSSION

PSCA

The Clerk explained that the EA continue to be slow with the ground work to get this in place and as such there is no chance of this being ready for works in this financial year. He said he was grateful to David Lowe for the work he has put in, but the general staffing level in this region appears to be sparse and it was impacting our ability to get other works done. He confirmed that the majority of the base work is done, and we are simply waiting on a draft copy of the agreement, although the work scope is still a little undecided. He mentioned that he would bring this up at the ADA regional meeting because he said the IDB needed to know what was going on.

There were comments from members that it was concerning to hear that these issues were ongoing at the EA and that an explanation from them should be forthcoming. There was a further discussion about the precept and whether or not it was justified if work was not being completed in the district.

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The Clerk explained that PSCA work was a precursor to demaining of COWS, but it was dependant on the watercourses being in a suitable condition. He continued by saying that unless there were long term contracts in place, it was impossible for IDBs to commit towards plant purchases and human resources.

There were then further examples given about work practices that members had experienced with the general feeling being that the IDB could do a better job in most instances.

The Chairman said that the Clerk had written to every CEO at the councils to request a meeting to discuss expectation and potential for PSCA, but the response had been very disappointing.

The Clerk confirmed that so far only Maidstone Borough Council and Mid-Sussex had responded.

Action: Council members to chase up letter from the Clerk to bring about meetings

Revenue Streams

The Clerk reviewed the previously mentioned idea of bringing in additional monies where possible. He said that while we obviously have to be careful not to interrupt or interfere with local businesses, the conversation with KCC regarding road culvert maintenance was positive and they are keen to see a demonstration of the work we can offer. He warned that this is dependent on the purchase of a capable machine of course, and it was hoped that the committee and the Board will view the plant report in item 13 as a real opportunity to expand upon our existing provision.

He continued by saying that if we can demonstrate a suitably effective service, we may be able to access a PSCA with the council and increase the working times of the tractor while earning from it.

He confirmed it will also be requested that we start offering a pumping service during the winter, to which he was not totally sure how (or if) we could go about charging for. He said he believed that Boards offer this service further North and tended to charge for work done outside of the district only. He suggested that (assuming the Board agrees to the purchase of the dirty water pump), they could maintain a tractor on standby ready to travel to anywhere in the district that might need road, business, or residential short-term pumping.

It was asked what sort of pumping work staff would undertake.

The Clerk said it would have to be linked to surface water flooding and not foul etc. He expanded on this by saying his primary goal was to offer increased services to the stakeholders and that he was keen to get this pilot actioned before winter. He floated the idea that if this proved to be a useful service locally, we could put a pump on every tractor and offer an increased service to the district.

It was suggested that a conversation between IDB and the Kent Resilience Group would be a good idea to let them know the IDB was looking at becoming part of a reactionary force.

Action: Clerk to speak with Kent Resilience Group about IDB role and potential

Staffing

RECEIVED Staffing strategy document

The Clerk said there is a need to plan ahead for several reasons, the most urgent being A) to improve work completion, B) to assure that there is suitable supervisory availability for contracts and conservation works and C) succession and officer level security.

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He suggested that the immediate need is to take the ground staff to 5 persons so that we can suitably man plant, complete non-mechanical works, and to ensure we are able to act upon the suggestions of the ecologist following the study carried out this year. At the very minimum he said this will need to go to 4 persons but as was demonstrated on the budget, we intend on bringing in staff on a lower starting wage, which gives us more room to employ more people.

He reminded members that it was discussed previously about reducing staffing levels naturally and instead move to a mainly contracted base for our maintenance. However, after a year trying to utilise further contractor usage, it was clear we do not have the planning in place, or the necessary staff levels to bring in more contractors at this stage, which means we could only improve our work completion by bringing in staff. He said that if there is a desire to provide further services such as culvert jetting, pumping, and PSCA work, then we will need to increase staff levels with competent and district savvy persons as soon as possible. This will also avoid the company becoming top heavy and means we have a better reactive work force going forward.

He confirmed that his plan has long-term succession built into the company, along with expansion on both upskilled workforce (ecology), and general staffing levels. Assuming we can secure long term maintenance works with the EA and local authorities, combined with enhancement and conservation maintenance works, we are going to need to increase the staffing levels at both ground and office level to ensure suitable management, and technical expertise in key roles as climate change becomes more and more impactful.

It was commented by members that this offered a responsible direction of travel and that if we were going to push forward as a Board and achieve our objectives then this would be a necessary step. It was suggested that the financing of this was critical to get right.

The Clerk said that financing was the crux of the argument and that he had costed the start of this recruitment in the budget.

There was a discussion about the need for 5 ground staff and how it tied into the district management objectives of the Board. All agreed that increased ground staff represented the priority in terms of achieving shorter term strategic objectives, and then office staff could be brought in later as was required for management purposes.

There was a discussion about how the depot and works could be managed after John left, to which it was determined that the replacement chosen from the applicants needed to be given the chance to perform in both the field and the office before we could look at alternative options.

The Clerk confirmed that they were already upskilling a member of staff to move towards an ecology/conservation branch of the works team. He said that in order to action the ecology study recommendations, and also to continue to maintain and recognise opportunities into the future, it was necessary to act now and recognise the talent we had for this kind of work.

Action: Clerk to prepare job descriptions and advertisements for 2 more ground members to be recruited this financial year.

7. ESTIMATES

RECEIVED Estimates Summary, expenditure, income, and capital programme

The Clerk explained that he had laid out 3 scenarios and the costings associated with them. He said that the default position is 4 ground team members and is a bare minimum. The other scenarios represented a 5-man ground team and lastly a 5-man ground team and a technical assistant.

He demonstrated the impact upon the reserve and explained that he was hoping to draw down on that surplus by building the staffing levels and combining that with smaller but procedural levy increases.

He said the Board should be looking to make acceptable losses, while still increasing staff levels, to get the surplus to zero without compromising the objectives of the Board.

He gave examples of how rate increases at different levels would have different impacts across each scenario. He also explained how much is likely to be required as an increase year on year in order to bring the income and expenditure back in line once the surplus had been removed.

He said that even with inflation at 10% it was unlikely to be palatable by council members, but he warned that members should be wary of going too low else it ties itself into substantial rate increases in the years to come.

The Chairman asked members for input and there was a discussion over the scenarios presented. It was largely agreed that scenario 2, which took the ground team to 5, was the best option currently and gave the Board its best chance of objective realisation.

There was a question about why there were gaps in this year's budget.

The Clerk explained that he was expanding upon lump sum nominal codes to allow greater transparency and also to drill down into the spending to ensure accurate allocations going forward.

There was a further discussion about the rate the committee would propose to the Board for the coming financial year. There was a question about whether this included additional revenue streams?

The Clerk said the budget was conservative in relation to additional income and that he wanted to ensure that we could self-fund the increases responsibly. He said if we could increase the income of the Board through PSCA the ongoing baseline raises for years 2-5 would likely be considerably less. He reiterated that he just wanted to be prudent while there were no contracts in place.

There was further discussion about the ecology study and how it was funded.

The Clerk explained this was coming from within the savings of the Board and was not a revenue cost. He then went on to explain how the capital programme looked for the coming year and explained that he wanted to stop asking for funding items mid-term and instead work to an approved schedule going forward.

Action: The Finance Committee to make a recommendation to the Board, with the scenario 2 budget to be the favourable framework for the coming year's expenditure.

8. FINANCIAL REPORT

The Finance Officer said that we were now in receipt of interest on our accounts after several years of no interest. She said that while this was not a huge sum, it was at least a return.

The members thanked her for progressing this with Handelsbanken.

The Finance Officer continued to say that rates had been coming in steadily and that the second round of council levy was expected soon. She explained that agricultural rates collection was nearly at 100% but that there was a caveat.

The Clerk outlined the excellent effort of the Finance Officer in debt recovery this year and explained that this was why the agricultural rate collection was so high. He continued by saying he did not want to take landowners to court unless absolutely necessary as it broke down relationships and was potentially counterproductive.

The Finance Officer confirmed she had spoken with the Stour IDB and was following their procedures for court action recovery to ensure legal compliance.

The Chairman thanked the Finance Officer for her excellent efforts in debt recovery which was echoed by all members present.

The Finance Officer closed by giving the bank statements for the accounts, and confirmed we were no longer looking to move money across various banks

9. MINIMUM BANK BALANCE POLICY

The Chairman said that the recommendation for the minimum bank policy was to remain at £350,000 which represented about 50% of the annual budget.

All members agreed for this to go to the Board.

Action: Chairman of Finance to make recommendation to the Board to retain the £350,000 minimum bank balance.

10. EXTERNAL AUDIT

RECEIVED External Audit Report

The Clerk said there were a couple of areas of the external audit that he wanted to address.

He said the accounting of recharges was mistakenly used as an income in previous years when it should have been offset against the original expense. This led to over inflated income figures which the auditor has marked as being incorrect, because we told them it was incorrect from the start. He explained that whilst this has been removed for this financial year, this is also seen in the IDB1 form, although this will be remedied for next year.

He confirmed that IT and cyber risk assessment and control measures have now been included and approved by the Board.

He said we had offered a reconciliation for the Section 48 (levy income) figures, but they didn't use it for some reason. He explained that the reason for the difference was due to extra funds being brought in through debt control.

He finished by saying there seems to have been some confusion over the non-use of petty cash with the internal audit which led to the external auditor saying it was omitted. He confirmed that the Board will remove petty cash from the balance sheet in the future to resolve this confusion.

The Chairman and members thanked the Clerk and the Finance Officer for their efforts on the external audit.

11. IDB1 FORM

RECEIVED IDB1 Form 2022

The Clerk said that the IDB1 Form had now been submitted to DEFRA, the EA, and the Council CEOs as required. He said it was also on public display on the website.

He said that there was a report of a RIDDOR relating to a minor degloving that occurred at a third-party exercise. He said this was the IDB taking responsibility in the absence for the contractor doing so, and that the HSE had not come back to us regarding this.

The Chairman said there was a question hanging over the Board in previous years that we were under close scrutiny from DEFRA.

The Clerk said he had heard nothing about it recently, and that he hoped the efforts in recent years to tighten up finance, governance, and practice had been recognised.

12. FINANCIAL RISK ASSESSMENT

RECEIVED Financial Risk Assessment

The Clerk said he wished to remove some of the recommendations and to ensure it was relevant to the current situation.

It was suggested that all LMIDB references should be removed, along with elements relating to Lees Road.

He said he would make the changes and submit it to the Board.

Action: Remove unnecessary recommendations from the financial risk assessment.

13. ANY OTHER BUSINESS

RECEIVED Multi-Use Plant Report

Plant replacement

The Clerk explained that there was an investigation into multiuse equipment after a conversation with the Board highlighted an interest in being more dynamic with our service provision. He said that while the Multihog was an excellent piece of equipment, after a visit to Newark and further discussions with the Works Supervisor, this would not meet the needs of the Board in the first instance and represented an expensive risk.

He continued by saying that Officers felt we would be better served by using equipment we know initially and offer increased service through minor modification to existing attachments available within the agricultural industry. He said that he had instead looked into using a narrow-gauge tractor with additions such as a side arm mower, dirty water pump, and culvert jetter.

He reported that after some discussion with New Holland we were in a position to purchase a used T4.100, complete with the necessary attachments, for nearly a third of the price of a Multihog, making us far more able to carry out additional works in the district at traditionally quieter times.

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He explained that by sourcing second hand machinery it saves a lot of money, and also allows us to use plant we are familiar with, hopefully avoiding the Burky situation from 10 years ago.

There was a discussion over the use of front mounted attachments and 'Super-Steer' and how safe it might be. The Clerk said he would look into options available to perhaps go with a safer option of a rear mounted mower.

The Chairman said he felt this was ready for a recommendation into the Board, to which all members agreed.

Action: Recommend purchase of New Holland T4.100 and attachments to the Board

The Clerk moved on and said that as a result of the search for a small form tractor there was an offer put in from New Holland regarding an upgrade of our Valtra's.

He said that while he was not particularly bothered whether we upgrade the larger tractors or not, there is no denying it's a good price and gets our kit back into a more geographically friendly area. He warned that that the price is only being held on the basis that we buy before Christmas as they want to get these machines off their books to make room for the new models. He said that it makes sense, considering the money in the saving account, to get it resolved now.

It was also confirmed by the Works Supervisor that Haynes would be happy to continue servicing and repairing our mowers going forward which would also save time on travel to New Romney. He did say that we had not had many issues with the Valtra's and that the service from Crawford's had always been very good too which is why we were not looking to move away from them in terms of the works vehicles.

The members discussed the advantages of New Holland over Valtra, to which they said they were more familiar with New Holland and that they preferred the back up support being closer to the depot.

The Clerk said they also looked at large Kubota tractors, to which members said they would not be in favour of going with a largely untested machine such as that considering the specifications provided and the feedback received from the operators and Works Supervisor.

The Chairman said he felt they were happy to recommend a return to New Holland and to bring the plant closer to home.

Action: Recommend accepting offer from Haynes for trade in and provision of two New Holland T6.160 tractors to the Board

Mid-Year Remuneration Review

RECEIVED UMIDB Remuneration Scale

The Clerk reminded members that due to the volatile inflation rates seen in the country, the finance committee were going to look at wages every six months to avoid staff suffering real world pay cuts.

He explained that due to the step system in place within contracts, and the fact that the new Works Supervisor will be coming in on a new wage structure, he suggested that they leave office staff wages as they are until April.

He continued by saying that as the ground teams are now using the trucks to get to and from work, they are seeing a good real-world saving and that this is a sufficient provision by the Board, even with the surging inflation costs, until April also.

All members were happy to retain the existing remuneration arrangements until April.

He confirmed that the estimates have included a 5.5% increase for all staff for the financial year 2023/24, which was largely in line with the expected recommendation coming from ADA within the White Book.

Resilience Fund

RECEIVED Resilience Fund Policy and Procedure V0.2

The Clerk reported that the resilience fund has now been discussed with Innes Thomson, CEO of ADA, and Peter Bateson, CEO of the Witham 4th IDB, who have advised that as long as governance and transparency is displayed at all times, the Board is within its rights to control how its own money is spent, assuming there is always a link to the Board objectives relating to land drainage and the Land Drainage Act.

He said that it was suggested to the Board that we make it clear that no decision is a precedent of importance and that every decision will be taken on its own merit at all times to avoid the question of 'why is their design ok, but mine is not?'. He added that Peter did suggest that we approach the EA to get funding for district wide inflow modelling, and that this would then identify the areas most at risk from flood and peak flows, to which we could then justify the NFM designs explicitly against this modelling data.

The Clerk said that in the short term this is unlikely to be accessible but similar work has been done by South East Rivers Trust, albeit on a more anecdotal basis, that might be useable alongside EA modelling data.

The Clerk reiterated that to his knowledge this had not been attempted elsewhere in the industry and as such was a step into the darkness to some extent. He said they were spearheading a bold move to control how NFM projects were handled and how local authorities can collaborate and utilise the public purse more effectively.

All members were happy this could now be put to the Board for further scrutiny and approval.

Action: Submit Resilience Fund version 0.2 to the Board

Calendar 2023

RECEIVED Proposed calendar dates 2023

The Clerk said that it was difficult to really nail down accurate forecasts when we are making budgets at the 6-month interval and using last year's actual expenditure isn't much use as the Board has been through so much change in both its relationships and administration that it is no longer particularly relevant. He said to that end he wanted to suggest we move the Board meeting in March to January and use this as the rate setting meeting.

He explained that he wanted each meeting to now have a main purpose or theme so that there is always an element of expectation and anticipation over the main discussion points. This would include a Board level budget report meeting, where the finances of the Board will be discussed, and expenditure over the 6-month period appraised by all members directly. He explained that the main

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idea is to increase transparency and improve member involvement in the more day to day aspects, without them having to consider every element at every meeting.

He finished by saying he was happy to set the rate in November this year, as normal, and use the new January meeting as a review meeting of the works and health and safety for 2022 primarily in the first instance.

There was a suggestion that the proposed November Board Budget Review meeting should be made in person and held at Bullen Court.

The Clerk confirmed he would make that alteration and submit that change to Board. He said they would also speak with Mr Wheeler about arrangements for having that many people present.

Action: Clerk to change November meeting to in person and submit to the Board

14. DATE OF NEXT MEETING

The date of the next Finance Committee/Estimates meeting would be confirmed at the next main Board meeting.

15. PRIVATE & CONFIDENTIAL MATTERS

There were no private and confidential matters.

16. CLOSE

There being no further business the Chairman of Finance thanked Members for their attendance, thanked the staff for all their work, and declared the meeting closed.